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Analysis of a U.S. Fashion Brand's Outsourcing from Bangladesh: Problems and Proposed Solution

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Bangladesh is the third largest apparel exporter to the U.S. (OTEXA, 2016). The U.S. business firms are following the buyer driven economy where the firms design and market without producing the products, and outsource their products from abroad (Gereffi, 1994). Since 1960s, the U.S. has become one of the largest importers of textile and apparel in the world (Dickerson, 1999). In the case of apparel, the U.S. companies imported \$85.16 billion from all over the world in 2015 (OTEXA, 2016). The U.S. retailers showed that their first and foremost reason for purchasing from Bangladesh is price attractiveness. Bangladeshi suppliers can produce large orders of good quality products for lower mid-market consumers (Berg et al, 2011). This research focused on exploring the role of apparel outsourcing from Bangladesh for the U.S. and the ways to reduce the effect of inefficiency factors to make this outsourcing long-term sustainable. This inquiry was guided by the following research questions: 1) How does Bangladesh's outsourcing performance compare with that of Vietnam, its competitor? 2) How do the U.S. fashion product buyers view their outsourcing from Bangladesh? 3) How do Bangladeshi fashion product suppliers view their exportation to the U.S.? and 4) How can this fashion supply chain be improved to make the future U.S.-Bangladesh partnership sustainable?

Method

In this research, a sequential mixed case study was conducted. Gary Teng and Jaramillo's (2005) supplier evaluation model was used to evaluate the outsourcing performance of Bangladeshi and Vietnamese suppliers for a U.S. fashion brand (i.e., Phillips Van-Heusen (PVH). The supplier evaluation model has 20 factors (i.e., negotiability, internal cost, customer service, etc.) under five clusters (i.e., delivery, flexibility, cost, quality & reliability). On the other part of the research, in-depth interviews were taken from three buyers in the Bangladeshi local office of PVH and three Bangladeshi suppliers from three different companies. The interview questions were based on these five clusters.

Participants

Participants of this study have about 6 -10 years working experiences in the Bangladeshi apparel industry. Their working positions within their companies range from junior to mid-level.

Results and Discussion

The supplier evaluation scores revealed that the Bangladeshi supplier had a very competitive position compared to its competitor (Vietnamese supplier). Bangladesh scored 0.410 while Vietnam scored 0.307 out of 1.0. In terms of the five clusters, Bangladesh (0.106) has a great advantage in the cost cluster over Vietnam (0.281). Bangladesh (0.204) is also more advanced in the quality cluster than Vietnam (0.192). For the remaining three clusters, Vietnam has marginal advancement than Bangladesh. Specifically, the Bangladeshi supplier performed higher than expected in the capacity, negotiability, continuous improvement, and certification factors. The

Bangladeshi supplier just met the buyer's expectations in information sharing, customization, customer service, feeling of trust, and country's political situation factors.

The U.S. buyers perceived that the geographic location (factor of delivery cluster) is not a problem for doing business because they allow longer lead time for their suppliers to meet the order. In terms of information sharing (factor of flexibility cluster) and ordering and invoicing (factor of cost cluster), the U.S. buyers are giving technological assistance to their suppliers. The U.S. buyers have installed a continuous improvement program (factor of quality cluster) with their suppliers to upgrade production capacity and practice lean manufacturing. The lack of free trade between the U.S. and Bangladesh is impacting trade restriction and the suppliers' selling price. The buyer-driven industry is favoring the U.S. buyers in negotiation, customer service and selling price factors. On the other hand, the suppliers perceived that they are in a disadvantageous position due to not having sufficient backward linkage industry. Bangladeshi apparel firms are not favorable for fast fashion products, which require shorter lead time. They have limited customizability (factor of flexibility cluster). The Bangladeshi apparel manufacturing industry is currently reliable regarding trust issues, political situation, currency exchange rates, and warranty (factors of reliability cluster). In order to make the future U.S.-Bangladesh partnership sustainable, researchers suggests that Bangladeshi suppliers should set up liaison offices in the U.S. to reach small and medium size brands in the U.S. The U.S. and Bangladeshi governments should work closely together to overcome trade restriction, such as tariff. If a buyer nominates a supplier's own backward linkage for raw material sourcing, it can help a supplier reduce the total lead time because a supplier will no longer require any further approval from a buyer. Buyers should conduct more capacity improvement programs to their suppliers, so that buyers can obtain more customized products of various price points.

Implications and limitations

This research is just a case study on a single company. It is difficult to draw a generalized conclusion over the entire industry based on one company's performance. This research will give an overview of the apparel business practice in Bangladesh to the unexplored part of the U.S. fashion industry. For future studies, separate case studies for each cluster can be conducted to get a more elaborate picture.

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